

FORM APPROVED COUNTY COUNSEL
 BY: GREGORY P. PRIAMOS DATE: 9/21/15

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

341



SUBMITTAL DATE:
 September 22, 2015

FROM: Human Resources Department

SUBJECT: Approve Amendment No. 3 to the Pharmacy Services Agreement with Navitus Health Solutions, LLC, to provide Exclusive Care members with prescription medication benefits for One Year. [Districts-All] [Total Cost-\$20,696,000] [Source of Funds-100% of Funds Paid via Exclusive Care premiums paid by Enrolled Membership]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve an increase of the current contract from \$7,529,000 to a maximum of \$13,375,000 for CY2015.
2. Approve and authorize the Chairman to sign Amendment No. 3 to the agreement with Navitus Health Solutions, LLC to extend the contract one year (CY2016) for a maximum amount of \$14,850,000; and,
3. Authorize the County Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding, to sign amendments that do not change the substantive terms of the agreement, including amendments to the compensation provision that do not exceed 10 percent of the total contract annually as approved by County Counsel.

[Handwritten Signature]

Michael T. Stock,
 Assistant County Executive Officer/
 Human Resources Director

PURCHASING & FLEET SERVICES: Lisa Brandl, Director

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 13,021,000	\$ 7,675,000	\$ 20,696,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$	

SOURCE OF FUNDS: Exclusive Care premiums paid by members	Budget Adjustment: No
	For Fiscal Year: 2015/16 to 2016/17

C.E.O. RECOMMENDATION:

APPROVE

BY: *[Handwritten Signature: Lani Sison]*
 Lani Sison

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Benoit, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
 Nays: None
 Absent: None
 Date: October 6, 2015
 xc: H.R., Purchasing

Kecia Harper-Ihem
 Clerk of the Board
 By: *[Handwritten Signature]*
 Deputy

Prev. Agn. Ref.: 12/10/2013; 3.24 District: All Agenda Number:
 10/4/2011; 3.19 12/9/2008; 3.42

3-29

A-30 Positions Added Change Order
 4/5 Vote

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FORM 11: Approve Amendment No. 3 to the Pharmacy Services Agreement with Navitus Health
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BACKGROUND:

Summary

On December 9, 2008, the Board of Supervisors approved an agreement with Navitus Health Solutions, LLC. This replaced the prior agreement with Medco Health Solutions. Navitus provides highly effective customer service and serves as a critical backstop for the Rubidoux Pharmacy operations. The Riverside County Rubidoux Pharmacy currently provides over 30 percent of the total prescriptions for Exclusive Care members. In addition, Navitus' transparent pass-through business model has resulted in improved reporting and management of pharmacy services, with 100 percent of drug rebates refunded to Exclusive Care.

There is no direct cost to the County for the recommended action, as these costs are funded by Exclusive Care premiums.

Impact on Residents and Businesses

Exclusive Care members are able to fill prescriptions at over 327 Navitus contracted pharmacies throughout Riverside County.

SUPPLEMENTAL:

Additional Fiscal Information

Approximately \$350,000 per year is paid in administrative fees to Navitus for its services. As Pharmacy Benefits Manager (PBM), Navitus processes retail and mail order prescriptions; establishes and maintains contracted networks of pharmacies; establishes pharmaceutical formularies with Exclusive Care's medical director, and negotiates reimbursements with drug manufacturers.

Contract History and Price Reasonableness

The Board of Supervisors approved Addendum No. 1 in October 2011, for \$7,200,000. Addendum No. 2, approved by the Board of Supervisors in December 2013, increased the maximum contract amount to \$7,529,000 for additional administrative costs as a result of participant increases. Since then, membership has increased nearly 12 percent and continues to grow. In addition, Exclusive Care expects to pay at least \$1,500,000 for high cost prescriptions related to Hepatitis C and Multiple Sclerosis over the next fiscal year. Also, pharmacy utilization is expected to increase during December 2015 due to the increase in pharmacy copayments effective January 2016. As a result, an increase of the total spending authority to \$13,375,000 is requested for the current calendar year.

The Amendment is requested to allow Navitus Health Solutions, LLC, to continue as the PBM for an additional year (January 1, 2016 through December 31, 2016); eliminating disruption to membership while Exclusive Care completes a Request for Proposal (RFP). The maximum amount requested for calendar year 2016 (\$14,850,000) assumes normal annual trends for pharmacy claims plus expected membership growth.

Aon Hewitt solicited blind offers from two large PBM vendors for the contract period of 2014-2015. Aon Hewitt selected these two providers as they most closely matched the Navitus business model. Aon Hewitt concluded that Navitus' performance, inclusive of fees, is in line with the marketplace and the County should pursue a renewal. In conjunction with this renewal, Navitus agreed to a reduction in administrative fees as reflected in Amendment No. 3. The Human Resources Department will direct Aon Hewitt Consulting to conduct a marketplace analysis as part of the forthcoming RFP evaluation.

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ATTACHMENTS:

A. Amendment No. 3 to the Pharmacy Services Agreement with Navitus Health Solutions, LLC.

Amendment No. 3

PHARMACY MANAGEMENT SERVICES AGREEMENT AMENDMENT

This Pharmacy Management Services Agreement Amendment ("Amendment") is made as of January 1, 2016 ("Effective Date"), by and between Navitus Health Solutions, LLC, a Wisconsin limited liability company with its administrative office located at 2601 West Beltline Highway, Suite 600, Madison WI 53713 ("Navitus") and the County of Riverside, a political subdivision of the State of California (herein referred to "County" or as "Client").

WHEREAS; Navitus and Client have executed a Pharmacy Management Services Agreement effective January 1, 2009 (the "Agreement");

WHEREAS; Navitus and Client agree to amend the Agreement as follows:

Article VI-TERM OF AGREEMENT, sentence 1 is deleted and amended to read:

This Agreement shall become effective on the Effective Date and shall continue in full force. The services provided by Navitus under this Agreement shall commence as of the Effective Date and shall continue until December 31, 2016 (the "Initial Term"). Attachment A is attached to and incorporated into this Amendment.

Exhibit 1-Administrative Services Fee Schedule, paragraph 1, sentence 1 which reads:

County agrees to pay Navitus an administrative fee of [REDACTED] per month.

Is amended to read:

County agrees to pay Navitus an administrative fee of [REDACTED] per month, effective 10/1/2015.

WHEREAS; Navitus and Client agree that all other terms and conditions of the Agreement that are not affected by this Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, Navitus and Client have caused this Amendment to be executed and effective as of the Effective Date.

ATTEST:
Clerk to the Board
Kecia Harper-Ihem

By: [Signature]
Deputy

Date OCT 06 2015

COUNTY OF RIVERSIDE on behalf of the
Exclusive Care Division of its Human
Resources Department:

By: [Signature]
Marion Ashley
Chairman, Board of Supervisors

Date OCT 06 2015

FORM APPROVED COUNTY COUNSEL
BY: [Signature]
NEAL R. KIPNIS DATE

Navitus Health Solutions, LLC:

By: [Signature]

Printed Name: Peter J. Buse

Title: CFO

Date: 8/31/15